

*Charter Township of Grass Lake*  
*Jackson County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2007*

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## CONTENTS

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	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary fund	10
Statement of revenues, expenses, and changes in fund net assets - proprietary fund	11
Statement of cash flows - proprietary fund	12
Statement of fiduciary net assets - fiduciary funds	13
Notes to financial statements	14 - 22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	23 - 24
Fire Operating Fund	25
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	26
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	27

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Charter Township of Grass Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Grass Lake, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Grass Lake, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Grass Lake, Michigan, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Charter Township of Grass Lake, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



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Board of Trustees  
Charter Township of Grass Lake, Michigan  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Grass Lake, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Siegfried Crandall P.C.*

June 5, 2008

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Grass Lake**  
**STATEMENT OF NET ASSETS**  
*December 31, 2007*

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,164,691
Receivables	448,499
Prepaid expenses	<u>37,329</u>
Total current assets	<u>1,650,519</u>
Noncurrent assets:	
Receivables	970,857
Capital assets not being depreciated - land	198,769
Capital assets, net of accumulated depreciation	<u>1,782,273</u>
Total noncurrent assets	<u>2,951,899</u>
Total assets	<u>4,602,418</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	139,215
Deferred revenue	482,387
Bonds and contracts payable	<u>96,083</u>
Total current liabilities	<u>717,685</u>
Noncurrent liabilities:	
Bonds and contracts payable	<u>1,290,912</u>
Total liabilities	<u>2,008,597</u>
<b>NET ASSETS</b>	
Invested in capital assets	1,542,042
Restricted for:	
Cemetery perpetual care	10,271
Public safety - fire protection	301,128
Public safety - inspections	28,464
Public works	291,187
Unrestricted	<u>420,729</u>
Total net assets	<u>\$ 2,593,821</u>

*See notes to financial statements*

**Charter Township of Grass Lake**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2007

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net assets
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
Legislative	\$ 12,309	\$ -	\$ -	\$ -	\$ (12,309)
General government	307,061	33,320	-	-	(273,741)
Public safety	282,183	44,510	-	77,786	(159,887)
Public works	50,038	46,372	6,184	-	2,518
Community and economic development	20,496	4,337	-	-	(16,159)
Recreation and culture	10,253	-	-	15,290	5,037
Interest on long-term debt	<u>70,796</u>	<u>64,352</u>	<u>-</u>	<u>-</u>	<u>(6,444)</u>
Total governmental activities	<u>\$ 753,136</u>	<u>\$ 192,891</u>	<u>\$ 6,184</u>	<u>\$ 93,076</u>	<u>(460,985)</u>
General revenues:					
Property taxes					442,101
State shared revenue					239,749
Cable franchise fees					61,645
Interest income					<u>50,340</u>
Total general revenues					<u>793,835</u>
Change in net assets					332,850
Net assets - beginning					<u>2,260,971</u>
Net assets - ending					\$ 2,593,821

See notes to financial statements

**Charter Township of Grass Lake**  
**BALANCE SHEET - governmental funds**  
December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Wolf Lake Sewer District</u>	<u>Water District</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>						
Cash	\$ 467,677	\$ 404,485	\$ 32,147	\$ 184,035	\$ 46,234	\$ 1,134,578
Receivables	175,750	148,758	492,995	569,852	32,001	1,419,356
Total assets	<u>\$ 643,427</u>	<u>\$ 553,243</u>	<u>\$ 525,142</u>	<u>\$ 753,887</u>	<u>\$ 78,235</u>	<u>\$ 2,553,934</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Payables	\$ 74,460	\$ 8,514	\$ 32,147	\$ -	\$ 14,745	\$ 129,866
Deferred revenue	162,843	263,628	492,995	569,852	55,916	1,545,234
Total liabilities	<u>237,303</u>	<u>272,142</u>	<u>525,142</u>	<u>569,852</u>	<u>70,661</u>	<u>1,675,100</u>
Fund balances:						
Reserved for perpetual care	10,271	-	-	-	-	10,271
Unreserved:						
Designated for capital purchases	-	60,317	-	-	-	60,317
Undesignated	395,853	220,784	-	184,035	-	800,672
Undesignated reported in nonmajor:						
Special revenue fund	-	-	-	-	(12,454)	(12,454)
Debt service fund	-	-	-	-	20,028	20,028
Total fund balances	<u>406,124</u>	<u>281,101</u>	<u>-</u>	<u>184,035</u>	<u>7,574</u>	<u>878,834</u>
Total liabilities and fund balances	<u>\$ 643,427</u>	<u>\$ 553,243</u>	<u>\$ 525,142</u>	<u>\$ 753,887</u>	<u>\$ 78,235</u>	<u>\$ 2,553,934</u>

Total fund balances - all governmental funds \$ 878,834

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 1,981,042

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 37,329

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,062,847

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,386,995)

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds. (7,700)

Net assets of the Building Inspections Fund that have been combined with those of *governmental activities*. 28,464

Net assets of *governmental activities* \$ 2,593,821



**Charter Township of Grass Lake**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Wolf Lake Sewer District</u>	<u>Water District</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>						
Property taxes	\$ 143,181	\$ 246,506	\$ -	\$ -	\$ 52,414	\$ 442,101
Federal grants	-	77,786	-	-	-	77,786
State grants	245,933	-	-	-	-	245,933
Licenses and permits	4,215	-	-	-	-	4,215
Charges for services	57,982	13,196	-	8,862	-	80,040
Interest and rentals	34,268	12,869	32,201	34,422	510	114,270
Other	16,321	5,504	43,675	96,706	15,290	177,496
Total revenues	<u>501,900</u>	<u>355,861</u>	<u>75,876</u>	<u>139,990</u>	<u>68,214</u>	<u>1,141,841</u>
<b>EXPENDITURES</b>						
Legislative	12,309	-	-	-	-	12,309
General government	285,133	-	-	-	-	285,133
Public safety	-	152,460	-	-	-	152,460
Public works	50,038	-	-	-	-	50,038
Culture and recreation	10,122	-	-	-	483	10,605
Community and economic development	20,496	-	-	-	-	20,496
Capital outlay	6,515	91,501	-	-	35,553	133,569
Debt service:						
Principal	-	-	43,675	25,000	25,000	93,675
Interest	-	-	32,201	23,102	15,893	71,196
Total expenditures	<u>384,613</u>	<u>243,961</u>	<u>75,876</u>	<u>48,102</u>	<u>76,929</u>	<u>829,481</u>
<b>NET CHANGE IN FUND BALANCES</b>	117,287	111,900	-	91,888	(8,715)	312,360
<b>FUND BALANCES - BEGINNING</b>	<u>288,837</u>	<u>169,201</u>	<u>-</u>	<u>92,147</u>	<u>16,289</u>	<u>566,474</u>
<b>FUND BALANCES - ENDING</b>	<u>\$406,124</u>	<u>\$ 281,101</u>	<u>\$ -</u>	<u>\$184,035</u>	<u>\$ 7,574</u>	<u>\$ 878,834</u>

See notes to financial statements

**Charter Township of Grass Lake**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**- governmental funds (Continued)**  
Year ended December 31, 2007

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Net change in fund balances - total governmental funds	\$ 312,360
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:

Assets acquired	129,005
Provision for depreciation	(112,992)

Long-term debt - principal repayments	93,253
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Changes in other assets/liabilities:

Net decrease in deferred revenue	(81,665)
Net increase in prepaid expenses	(4,580)
Net decrease in accrued interest	822

The net expenses of the Building Inspections Fund are reported with <i>governmental activities</i> .	<u>(3,353)</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 332,850</u>
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**Charter Township of Grass Lake**  
**STATEMENT OF NET ASSETS - *proprietary fund***  
*December 31, 2007*

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	<u><b>Building Inspections</b></u>
<b>ASSETS</b>	
Cash	\$ 30,113
<b>LIABILITIES</b>	
Payables	<u>1,649</u>
<b>NET ASSETS</b>	28,464
 Amounts reported for business-type activities in the government-wide statement of net assets (page 5) are different because:	
Assets and liabilities of the Building Inspections Fund have been combined with those of <i>governmental activities</i> .	<u>(28,464)</u>
Net assets of business-type activities	<u>\$ -</u>

*See notes to financial statements*

**Charter Township of Grass Lake**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**

**ASSETS - *proprietary fund***

*Year ended December 31, 2007*

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	<b><u>Building Inspections</u></b>
<b>OPERATING REVENUES</b>	
Charges for services - licenses and permits	\$ 25,810
<b>OPERATING EXPENSES</b>	
Personnel costs	4,504
Contracted services	<u>24,659</u>
Total operating expenses	<u>29,163</u>
<b>CHANGE IN NET ASSETS</b>	(3,353)
<b>NET ASSETS - BEGINNING</b>	<u>31,817</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 28,464</u>
<b>CHANGE IN NET ASSETS</b>	\$ (3,353)
Amounts reported for business-type activities in the government-wide statement of activities (page 6) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the <i>governmental activities</i> .	
	<u>3,353</u>
Change in net assets of business-type activities	<u>\$ -</u>

See notes to financial statements

**Charter Township of Grass Lake**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended December 31, 2007

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	<u><b>Building Inspections</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 25,810
Payments to vendors and suppliers	(24,790)
Payments to employees	<u>(4,504)</u>
Net cash used in operating activities	(3,484)
<b>CASH - BEGINNING</b>	<u>33,597</u>
<b>CASH - ENDING</b>	<u><u>\$ 30,113</u></u>
<b>Reconciliation of change in net assets to net cash used in operating activities:</b>	
Change in net assets	\$ (3,353)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Decrease in payables	<u>(130)</u>
Net cash used in operating activities	<u><u>\$ (3,483)</u></u>

See notes to financial statements

**Charter Township of Grass Lake**  
**STATEMENT OF FIDUCIARY NET ASSETS - *fiduciary funds***  
*December 31, 2007*

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	<u><b>Agency funds</b></u>
<b>ASSETS</b>	
Cash	<u>\$ 987,468</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>\$ 987,468</u>

*See notes to financial statements*

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Grass Lake, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present the activities of the Township. There are no component units, legally separate entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operation and maintenance of the Township Fire Department. Revenues are primarily derived from property taxes.

The Wolf Lake Sewer District Fund accounts for the financial resources used for payments of long-term contractual obligations to the Jackson County Drain Commission. Revenues are primarily derived from special assessments, connection fees, and user fees.

The Water District Fund accounts for the financial resources used for payments of long-term contractual obligations to Jackson County. Revenues are primarily derived from special assessments and connection fees.

The Township reports a single proprietary fund, its Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports a single fiduciary fund type. The Township's agency funds account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.



**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 10 years
Vehicles	10 - 20 years

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

The 2006 taxable valuation of the Township totaled \$199,080,678, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.7033	Operating	\$ 140,042
Fire Operating	1.2294	Operating	244,815
Fire Building	0.2560	Debt	52,414

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township experienced no significant budget variances during the fiscal year.

*Accumulated deficit* - The Sports and Trails Fund, a special revenue fund, has an accumulated deficit fund balance in the amount of \$12,454. The deficit will be eliminated through collections of private contributions in subsequent years. The Township has filed a deficit elimination plan with the Michigan Department of Treasury.

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH:**

The Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental</u> <u>funds</u>	<u>Proprietary</u> <u>funds</u>	<u>Fiduciary</u> <u>funds</u>	<u>Totals</u>
Cash	\$ 1,134,578	\$ 30,113	\$ 987,468	\$ 2,152,159

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of December 31, 2007, \$1,562,576 of the Township's bank balances of \$2,264,078 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Property</u> <u>taxes</u>	<u>Special</u> <u>assessments</u>	<u>Inter-</u> <u>governmental</u>	<u>Accounts</u>	<u>Totals</u>
General	\$ 91,825	\$ -	\$ 81,240	\$ 2,685	\$ 175,750
Fire Operating	148,758	-	-	-	148,758
Wolf Lake Sewer	-	492,995	-	-	492,995
Water District	-	569,852	-	-	569,852
Nonmajor governmental	32,001	-	-	-	32,001
Totals	<u>\$ 272,584</u>	<u>\$ 1,062,847</u>	<u>\$ 81,240</u>	<u>\$ 2,685</u>	<u>\$ 1,419,356</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 970,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 970,857</u>

All receivables are considered fully collectible.

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 198,769	\$ -	\$ -	\$ 198,769
Capital assets being depreciated:				
Buildings and improvements	1,151,330	36,753	-	1,188,083
Equipment	440,278	92,252	-	532,530
Vehicles	1,070,526	-	(55,000)	1,015,526
Subtotal	<u>2,662,134</u>	<u>129,005</u>	<u>(55,000)</u>	<u>2,736,139</u>
Less accumulated depreciation for:				
Buildings and improvements	(156,423)	(31,017)	-	(187,440)
Equipment	(151,282)	(43,124)	-	(194,406)
Vehicles	<u>(588,169)</u>	<u>(38,851)</u>	<u>55,000</u>	<u>(572,020)</u>
Subtotal	<u>(895,874)</u>	<u>(112,992)</u>	<u>55,000</u>	<u>(953,866)</u>
Total capital assets being depreciated, net	<u>1,766,260</u>	<u>16,013</u>	<u>-</u>	<u>1,782,273</u>
Governmental activities capital assets, net	<u>\$ 1,965,029</u>	<u>\$ 16,013</u>	<u>\$ -</u>	<u>\$ 1,981,042</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 17,279
Public safety	87,665
Culture and recreation	<u>8,047</u>
Total governmental activities	<u>\$ 112,991</u>

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - PAYABLES:**

Payables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
<i>Governmental funds:</i>			
General	\$ 10,458	\$ 64,002	\$ 74,460
Fire Operating	8,514	-	8,514
Wolf Lake Sewer District	-	32,147	32,147
Nonmajor governmental	<u>14,745</u>	<u>-</u>	<u>14,745</u>
Totals	<u>\$ 33,717</u>	<u>\$ 96,149</u>	<u>\$ 129,866</u>
<i>Proprietary fund:</i>			
Building Inspections	<u>\$ 1,649</u>	<u>\$ -</u>	<u>\$ 1,649</u>

**NOTE 7 - DEFERRED REVENUES:**

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned Property taxes</u>	<u>Unavailable Special assessments</u>	<u>Totals</u>
General	\$ 162,843	\$ -	\$ 162,843
Fire Operating	263,628	-	263,628
Wolf Lake Sewer	-	492,995	492,995
Water District	-	569,852	569,852
Nonmajor governmental	<u>55,916</u>	<u>-</u>	<u>55,916</u>
Totals	<u>\$ 482,387</u>	<u>\$ 1,062,847</u>	<u>\$ 1,545,234</u>

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - LONG-TERM DEBT**

\$565,000 2002 Jackson County contract payable - payable in annual installments ranging from \$25,000 to \$50,000, plus interest at 3.40% to 6.00%; final payment due April 2022. \$ 455,000

The Township has a contractual agreement to remit to the Wolf Lake Sewer Common Fund (the Common Fund), a joint venture of the Township, all principal and interest collections arising from special assessments levied on properties served by the Common Fund in the Wolf Lake sewer district. In the event that the Common Fund is unable to meet its debt service requirements, an assessment may be made against the Township. The Township has pledged its full faith and credit for the payment of its share (23.27%) of any such deficiency. 492,995

\$514,000 2004 installment purchase agreement - payable in annual installments ranging from \$25,000 to \$54,000, plus interest at 3.50%; final payment due May 2017. 439,000

\$ 1,386,995

Long-term debt activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts Due within one year</u>
2002 Contract payable	\$ 480,000	\$ -	\$ (25,000)	\$ 455,000	\$ 25,000
Contractual agreement	536,670	-	(43,675)	492,995	41,083
2004 Installment purchase agreement	<u>464,000</u>	<u>-</u>	<u>(25,000)</u>	<u>439,000</u>	<u>30,000</u>
Total	<u>\$ 1,480,670</u>	<u>\$ -</u>	<u>\$ (93,675)</u>	<u>\$ 1,386,995</u>	<u>\$ 96,083</u>

At December 31, 2007, debt service requirements on long-term debt are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	96,083	58,372
2009	96,083	54,491
2010	96,083	50,541
2011	101,083	46,454
2012	101,083	42,247
2013 - 2017	555,415	145,755
2018 - 2022	<u>341,165</u>	<u>35,090</u>
Totals	<u>\$ 1,386,995</u>	<u>\$ 432,950</u>

**Charter Township of Grass Lake**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan, plus investment earnings. Employees are eligible to participate one year from the date of employment. The Township's contributions are fully vested after three years. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. The Township made the required contributions of \$13,000 for the year ended December 31, 2007.

**NOTE 11 - DEFERRED COMPENSATION PENSION PLAN:**

The Township provides a deferred compensation pension plan for a single elected official through a nonqualified deferred compensation plan. In this plan, benefits depend solely on the amounts deferred to the plan, plus investment earnings. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. The Township made the required contributions of \$4,938 for the year ended December 31, 2007.

**NOTE 12 - JOINT VENTURE:**

*Wolf Lake Sewer Common Fund:*

The Township is a participant in the Wolf Lake Sewer Common Fund (the Common Fund). The administrative board of the Common Fund consists of members appointed by each participating unit. The Common Fund was formed for the purpose of acquiring and operating a sanitary sewer system. The Township utilizes the Common Fund to transport its sewage to the Jackson County Wastewater Disposal Facility for treatment and disposal. The Township has no equity interest in the Common Fund; therefore, financial information of the Common Fund has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Common Fund are supported by user charges and special assessments from the participating municipalities in this sewer district. The Township has pledged its limited tax full faith and credit for its share of bonds issued by the Common Fund.

Complete financial statements for the Common Fund can be obtained from the Charter Township of Grass Lake's Treasurer's Office at 373 Lakeside Drive, Grass Lake, MI 49240.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Charter Township of Grass Lake**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 143,600	\$ 143,600	\$ 143,181	\$ (419)
Licenses and permits	4,000	4,000	4,215	215
State grants	246,000	246,000	245,933	(67)
Charges for services	48,350	48,350	57,982	9,632
Interest and rentals	26,000	26,000	34,268	8,268
Other	15,284	15,284	16,321	1,037
Total revenues	<u>483,234</u>	<u>483,234</u>	<u>501,900</u>	<u>18,666</u>
<b>EXPENDITURES</b>				
Legislative	<u>13,636</u>	<u>13,636</u>	<u>12,309</u>	<u>1,327</u>
General government:				
Supervisor	26,628	26,628	25,864	764
Elections	8,400	8,400	1,885	6,515
Assessor	49,892	49,892	37,853	12,039
Clerk	52,297	52,297	48,983	3,314
Board of review	3,003	3,003	2,205	798
Treasurer	53,146	53,146	49,558	3,588
Hall and grounds	38,300	38,300	22,630	15,670
Cemetery	29,947	29,947	26,185	3,762
General administration	81,383	82,383	69,970	12,413
Total general government	<u>342,996</u>	<u>343,996</u>	<u>285,133</u>	<u>58,863</u>
Public works:				
Road preservation and maintenance	79,654	79,654	17,544	62,110
Solid waste disposal	21,600	21,600	17,587	4,013
Sewer	18,247	18,247	14,907	3,340
Total public works	<u>119,501</u>	<u>119,501</u>	<u>50,038</u>	<u>69,463</u>
Culture and recreation	<u>-</u>	<u>14,440</u>	<u>10,122</u>	<u>4,318</u>

**Charter Township of Grass Lake****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	<u>\$ 25,601</u>	<u>\$ 25,601</u>	<u>\$ 20,496</u>	<u>\$ 5,105</u>
Capital outlay	<u>18,680</u>	<u>18,680</u>	<u>6,515</u>	<u>12,165</u>
Total expenditures	<u>520,414</u>	<u>535,854</u>	<u>384,613</u>	<u>151,241</u>
<b>NET CHANGE IN FUND BALANCES</b>	(37,180)	(52,620)	117,287	169,907
<b>FUND BALANCES - BEGINNING</b>	<u>288,837</u>	<u>288,837</u>	<u>288,837</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 251,657</u>	<u>\$ 236,217</u>	<u>\$ 406,124</u>	<u>\$ 169,907</u>

**Charter Township of Grass Lake****BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**

Year ended December 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 248,500	\$ 248,500	\$ 246,506	\$ (1,994)
Federal grants	79,750	79,750	77,786	(1,964)
Charges for services	12,000	12,000	13,196	1,196
Interest	3,000	5,000	12,869	7,869
Other	-	-	5,504	5,504
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	343,250	345,250	355,861	10,611
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES</b>				
Public safety	157,872	162,375	152,460	9,915
Capital outlay	103,507	103,507	91,501	12,006
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	261,379	265,882	243,961	21,921
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CHANGE IN FUND BALANCES</b>	81,871	79,368	111,900	32,532
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES - BEGINNING</b>	169,201	169,201	169,201	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 251,072</u>	<u>\$ 248,569</u>	<u>\$ 281,101</u>	<u>\$ 32,532</u>

## **SUPPLEMENTARY INFORMATION**

**Charter Township of Grass Lake**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2007

	<u>Debt service</u>	<u>Special revenue</u>	<u>Total nonmajor</u>
	<u>Fire Building</u>	<u>Sports and Trails</u>	<u>governmental funds</u>
<b>ASSETS</b>			
Cash	\$ 43,943	\$ 2,291	\$ 46,234
Receivables	<u>32,001</u>	<u>-</u>	<u>32,001</u>
Total assets	<u>\$ 75,944</u>	<u>\$ 2,291</u>	<u>\$ 78,235</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 14,745	\$ 14,745
Deferred revenue	<u>55,916</u>	<u>-</u>	<u>55,916</u>
Total liabilities	55,916	14,745	70,661
Fund balance (deficit):			
Unreserved, undesignated	<u>20,028</u>	<u>(12,454)</u>	<u>7,574</u>
Total liabilities and fund balances	<u>\$ 75,944</u>	<u>\$ 2,291</u>	<u>\$ 78,235</u>

**Charter Township of Grass Lake****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - nonmajor governmental funds**

Year ended December 31, 2007

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	<u>Debt service</u>	<u>Special revenue</u>	<u>Total nonmajor</u>
	<u>Fire Building</u>	<u>Sports and Trails</u>	<u>governmental funds</u>
<b>REVENUES</b>			
Property taxes	\$ 52,414	\$ -	\$ 52,414
Interest	353	157	510
Other - donations	-	15,290	15,290
	<u>52,767</u>	<u>15,447</u>	<u>68,214</u>
Total revenues	<u>52,767</u>	<u>15,447</u>	<u>68,214</u>
<b>EXPENDITURES</b>			
Recreation and culture		483	483
Capital outlay	-	35,553	35,553
Debt service:			
Principal	25,000	-	25,000
Interest	15,893	-	15,893
	<u>40,893</u>	<u>36,036</u>	<u>76,929</u>
Total expenditures	<u>40,893</u>	<u>36,036</u>	<u>76,929</u>
<b>NET CHANGE IN FUND BALANCES</b>	11,874	(20,589)	(8,715)
<b>FUND BALANCES - BEGINNING</b>	<u>8,154</u>	<u>8,135</u>	<u>16,289</u>
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<u>\$ 20,028</u>	<u>\$ (12,454)</u>	<u>\$ 7,574</u>

June 5, 2008

To the Board of Trustees  
Charter Township of Grass Lake

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Grass Lake for the year ended December 31, 2007, and have issued our report thereon dated June 5, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated November 29, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Grass Lake are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Charter Township of Grass Lake during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Grass Lake's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Charter Township of Grass Lake as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Grass Lake's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Grass Lake and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*